MINUTES
PUBLIC MEETING
Friday, August 18, 2006
8:00 AM
IGCS CONFERENCE 12

I. Call to Order
Jeff Heinzmann called the meeting to order.

II. Roll Call
Jeff Heinzmann, Judy Rhodes, Ryan Kitchell, and Tony Armstrong were present. Tim Berry was absent.

III. Reading of the Minutes
Judy Rhodes moved to approve the minutes for the May 19, 2006 Public Meeting. Tony Armstrong seconded the motion and the minutes were approved unanimously.

IV. Secretary's Report
Jeff Heinzmann distributed a report of transfers in and out of funds that included total dollars transferred in and out.

V. Third Party Administrator's Report
Bill L'Huillier of Great West Retirement Services reported that enrollment numbers have been indicating a positive response to efforts to raise awareness like payroll messages and the "Power of 15" posters in the tunnel.

Future education events include "Hoosier S.T.A.R.T. Hysteria", to be held in October in the Government Center South Atrium. The event will have a basketball theme. There has been a greater focus put on finding the payroll and human resource personnel who would be presenting the plan at the initial hire date

Mr. L'Huiller raised the issue of whether the Committee would consider adding a CD or money market fund to the plan investment options. Mr. L'Huillier believes this would be a very useful tool in keeping retiree assets preserved in the plan. Many retirees move their assets from the plan rather than leaving their balances with Hoosier S.T.A.R.T. Mr. Heinzmann suggested getting the thoughts of the investment consultant on this matter.

Ryan Kitchell asked Mr. L'Huillier if there were enrollment goals that the Great West reps were working toward. Mr. L'Huillier stated that the Great West itself set the goal of 52,000 accounts for the year. The local reps are above the goal as of the end of the third quarter. This is a major accomplishment with the number of overall state government employees in decline.

Mr. Heinzmann stated that Budget Agency personnel had indicated to him that it was approaching the FY2008-2009 budget with a planned participation rate of 60% of state employees. Earlier this year, only 51% of state employees were participating leaving room for a 9% increase goal. Mr. Heinzmann further stated that perhaps more could be done on the state side to help boost interest like increasing the match amount for the 401a accounts. Mr. Kitchell asked if the participation rate was lower or higher than other states. Mr. Heinzmann indicated that the current rate was at the low end of the normal government participation range, but that it was not terribly surprising given that the total number of state employees is down 10-12 percent over the prior year with a normal annual turnover of 20-30 percent of the workforce.

Mr. L'Huillier stated that the state of Tennessee, whose plan Great-West also administers, had just raised their match to $40 per month and it has increased participation up to 70%. Tony Armstrong suggested that solid projection numbers would be helpful. Mr. L'Huillier anticipates the representative of the Tennessee plan to be in Indianapolis next month and will schedule a meeting to discuss the benefits of a match increase. Mr. Heinzmann and Bill L'Huillier will be attending NAGDCA and will make efforts to talk with other plans about their match and any benefits seen as well.

VII. Indiana Stable Value Fund

Steve Mullin of Delaware Investments introduced Gregg Erdman to the Committee. Mr. Mullin proceeded with Delaware's quarterly report on the Indiana Stable Value Fund.

Delaware's 2nd quarter performance beat the benchmark (Lehman Brothers Aggregate Bond Index) by 15 basis points, and was up another 20 basis points through August 15. Year to date, Delaware's performance surpassed the benchmark by 62 bps, 81 bps for one year, 106 bps for two years, 133 bps for three years, and 159 bps since inception (9/30/2002).

Mr. Heinzmann stated that two quarters prior it was requested that Delaware provide a piece showing the performance of the Indiana Stable Value Fund in the aggregate, rather than only as separate pieces. Gregg Erdmann agreed to provide this in the coming quarter.

Mr. Mullin continued with Delaware's 2nd quarter analysis of performance attribution. During the review of the performance attribution Ms. Rhodes asked why in this quarter reporting Government and Yield curve had been combined. Mr. Mullin stated that they are still separate but boxed together. If the Committee preferred they could be shown separately. Delaware reported its underweight stance in government bonds as a slight drag on performance, mitigated by exposure to TIPS and added duration leading to a defensive position that added to performance. Fears of higher inflation hurt performance in the structured product asset class, and Delaware still saw over-performance in the mortgage sector, where it moved to a more defensive position after April.

On the issues of sector/quality and diversification, Mr. Mullin highlighted the slight increase in Investment Grade Credit and the slight decrease in MBS and CMO holdings that brought Delaware more in line with the benchmark.

VIII. Alliance/Bernstein

Before introducing the representatives of Alliance Bernstein, Joe Bill Wiley of Capital Cities gave an overview of the fund's under performance for the past three years. Mr. Wiley introduced Ms. Vicki Fuller, Director of Public Funds. Ms. Fuller began by introducing Mr. Aryeh Glatter who is a Senior Vice President and Portfolio Manager.

Vicki identified the strategy of the fund as Relative Value, which she described as at the intersection of high quality and low valuation, with less variability in fundamental company performance than deep value stocks, but a correspondingly smaller valuation discount. In the last six years, deep value securities and managers have done best, and AllianceBernstein understands the underperformance of recent years is a serious concern that has been disappointing. Nevertheless, they remain committed to their strategy and style, and believe that it not only explains the underperformance, but also holds promise for the near future. AllianceBernstein believes the underperformance of Mega Caps in recent years is an anomaly.

AllianceBernstein's style has a performance objective of 200 basis-points premium to the Russell 1000 Value Index and a tracking error of 500 to 600 basis points. The investment approach is to balance value with quality using both Alliance Growth and Bernstein Value research. A bottom-up stock selection drives long-term return and quantitative tools are used for risk control.

Ms. Fuller then moved on to illustrate how although performance would indicate poor return during the current trend, the fund has outperformed within its universe. Mr. Kitchell stated that there have been multiple benchmarks used to evaluate this fund and asked which is AllianceBernstein's preferred. Mr. Glatter stated that they look to the Russell 1000 Value index, but indicated they may be more consistent with the S&P 500.

Ms. Rhodes stated that the presentation was a lot to absorb. She asked what the inception date was. Mr. Glatter stated that 1995 was the inception date; however, AllianceBernstein utilizes data going back 26 years to 1980 for a truer annualization. Mr. Glatter stated that AllianceBernstein had increased their tilt to Mega Caps, and that this move has hurt cumulative returns for the past three years. He stressed, however, that this is a strategic and style-based decision that they expect to be proven a sound strategy in the future.

Mr. Armstrong requested that AllianceBernstein give a little more information on technology investments. They noted that the tech sector currently is unusually cheap, and that a long-awaited recovery in capital spending on technology is underway, providing a relative attractiveness and cash flow. As a result, they see tech companies buying back shares of their own stocks at a value price.

Ms. Rhodes inquired about the "anomaly" mentioned at one point in AllianceBernstein's presentation, asking what happens if it is not an anomaly and how long should the Committee rely upon the belief that the underperformance of Mega Caps is an anomaly. Mr. Glatter stated that stressed their belief that the underperformance of 4/1/03 through 6/30/06 is the anomaly, where the fund ranked low and performed in the 84th percentile, but that in the 9 years prior it performed in the 11th percentile and, even in light of the 2003-2006 period, they rank in the 22nd percentile since inception. AllianceBernstein believes that ranking is the fairest way to evaluate the Fund.

In further support of this position, Ms. Fuller distributed an article from Business Week titled "Blue Chip Blues: How long will the stocks of America's largest companies remain weaklings on Wall Street?"

Mr. Glatter addressed AllianceBernstein's under weight in utilities stating that AllianceBernstein builds models to capture "normalized" levels. AllianceBernstein believes that utility is way over their "normalized" level and that they are at peak levels with minimal potential for growth. Additionally, there have been low return and poor earning for energy causing them to appear not as rich in quality.

Mr. Kitchell asked who is in charge of the fund and had the Russell 1000 always been used as the bench mark. Ms. Fuller stated that there is a four person team but created by Frank Caruso in 1995 and that the Russell 1000 has always been used.

Mr. Glatter thanked the Committee for the opportunity to present the funds strategy and answer questions.

IX. Investment Consultant's Report

Joe Bill Wiley reported to the Committee that Domini Social Equity had had a change in strategy and management. After 11/30/06, pending shareholder approval, the Fund will change to an active investment strategy which should provide enhances performance over the KL Domini Social 400 Index. Domini has selected Wellington Management to be the sub advisor of the Fund and to replace the current six-person committee. The expense ratio will increase from 0.40% to 0.65%. The Fund remains an appropriate socially responsible core equity option. He concluded by stating that this change is not viewed to be negative. Capital Cities' recommendation is to monitor the Fund for performance under the new strategy and management after 11/30/06.

Mr. Kitchell requested that a report be provided using the bench marks that the deferred compensation plan believes is appropriate as well as the Russell 1000 Value Index with respect to the AllianceBernstein fund.

Mr. Wiley reported that the review of the fees being charged by underlying vendors had been completed and while all fees being charged were considered reasonable the suggestion was made to negotiate with Delaware to lower the fee and require the attendance only on an annual rather than quarterly basis. Delaware agreed to a reduction of one basis point (approximately $17,000 annually) as a result of Capital Cities' request. The possibility of a greater reduction as a result of placement of Major Moves assets with Delaware also exists.

Mr. Heinzmann stated that reducing Delaware's visits from quarterly to annually would not be detrimental as an independent report from Capital Cities on the ISVF would be more desirable than always having the manager provide it. Ms. Rhodes requested that that report be provided electronically in the future.

The Committee agreed that the Stable Value Fund agreements would therefore be extended, the products having been selected under a competitive bidding process and Capital Cities having verified the continued reasonableness of the fees and performance of the products, understanding that the renewal of Delaware's agreement would incorporate the reduction of its fee by at least one basis point, if not more, and in the change of its required trips to see the Committee from quarterly to annually.

Mr. Wiley continued with his presentation moving on to the Wells Fargo Advantage Capital Growth fund. The changes to this management team for the quarter are that Mike Harris a long-time Assistant Portfolio Manager and Analyst has been appointed to Co-Portfolio Manager. Two new analysts have been hired to work on the product. Over the last quarter the Fund ranked at the 52nd percentile versus its peers and trailed the index by 0.63%. Capital Cities is recommending continued monitoring of the Fund's performance with the new management arrangement.

Mr. Wiley stated that Capital Cities believed the plan experienced positive performance for this quarter. Capital Cities will continue to monitor Domini Social Equity (due to the shift to active management), AllianceBernstein (due to performance), and Wells Fargo Advantage Capital Growth (due to a change in management personnel).

X. Legal Counsel Report

Mary Beth Braitman of Ice Miller and legal counsel for the Plan reported to the Committee that recently the President signed the Pension Protection Act of 2006 which has several provisions that will affect the Plan. She will provide a greater detail report in the next quarter meeting when time allows, but the nuts and bolts of it are related to Fiduciary education, requiring more direct help to participants from the Fund and flexibility in rollovers.

Lisa Harrison of Ice Miller and legal counsel for the Plan presented to the Committee changes to the Adoption Agreements needed to be in compliance with HEA 1394 passed in 2005. This Bill allows side by side 457 plans to be adopted. The IRS requires specific language concerning contribution limits. Ryan Kitchell inquired why the nature of this change would be Committee directed not administration. Ms. Harrison stated that the change was to plan documents requiring the Committee's signatures. Mr. Heinzmann made a motion to adopt the new IRS language in the Adoption Agreements, Mr. Kitchell seconded the motion. The motion passed unanimously and the documents were circulated for signature.

XI. New/Old Business

There being no old or new business the meeting was adjourned by consensus at 9:57 AM.